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PENNSYLVANIA CONTINUES TO HOLD ITS OWN

While month-to-month fluctuations are evident and will probably continue, **general economic trends remain encouraging in Pennsylvania.** Whether or not the recent strength in the economy will hold is debatable, although the determining factors will likely be the ability of the nation's economy to continue growing at a strong pace without reigniting inflationary fires and further improvement in the health of the nation's factories. In that current signals suggest that both of these prerequisites are being met, Pennsylvania economic conditions should remain healthy. It appears that **the Commonwealth is headed for neither boom nor bust in the near-term but rather a period of fairly solid growth,** a scenario which falls in line with recent behavior in the index of leading indicators for the State. Macroeconomic developments (i.e., a more prominent role for the factory sector), appear to be playing in Pennsylvania's favor.

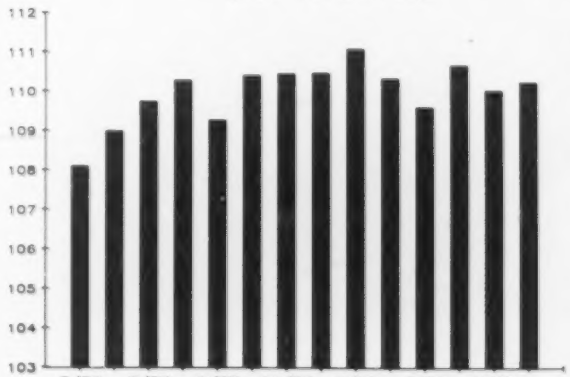
Many feel that the recent U.S. economic numbers have essentially been too good. Their fear is that pressure points are beginning to build, laying the groundwork for a new bout with inflation. While recent signals are suggesting increased inflationary pressures, it has yet to be determined if they will be strong enough to derail the economy.

It may be argued that the recent strength being shown by the Commonwealth is related to a turnaround in the factory sector. As has been pointed out in several past issues of the *Survey*, these industries remain extremely important to the State's economy, despite the downward trend in jobs over the past several years; a trend which has only recently shown signs of reversing itself as manufacturing jobs have advanced at a 1.3 percent annual clip this year following declines in seven of the past eight years. Indeed, most circumstantial evidence suggests that production activity has held its own in Pennsylvania's factories. For instance, the accompanying chart shows that two indicators of production trends, total hours worked in manufacturing and electricity sales to industry, have rebounded in recent months after behaving sluggishly over a period stretching back to 1984.

Based on job trends, **much of the recent strength in manufacturing appears to be coming in the durable goods industries.** Following losses which averaged 2.5 percent per year over the "recovery" period stretching back to 1982/1983, durable goods industries have added workers at a 2.2 percent annual clip through the first half of 1988. Nondurable goods jobs have barely held steady this year after declining at an average rate of 1.5 percent since the early 1980s. Total nonfarm jobs have grown by 2.6 percent this year compared to a 1.9 percent average over the 1982/1983-1987 period (see chart).

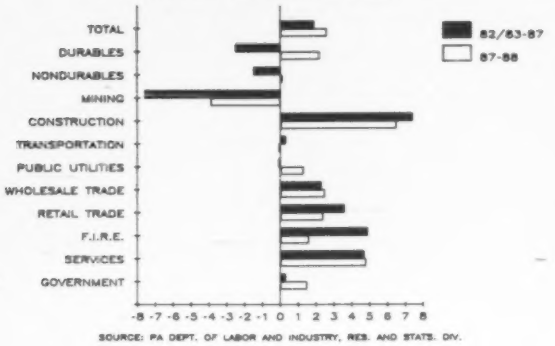
The bulk of all new jobs continue to be generated in the nonmanufacturing sector, a trend which will most certainly continue into the foreseeable future. Relative to the performances of these industries over the earlier years in the recovery, job growth has slowed somewhat this year, but by an insignificant amount. While nonmanufacturing job growth averaged 3.2 percent per year early in the expansion, a 3 percent gain has been turned in so far this year. Of the nine major nonmanufacturing industries analyzed, five have shown improvement with respect to job growth so far this year

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



PA FACTORY HOURS WORKED AND
ELECTRICITY SALES TO INDUSTRY
(1977=100)

PA NONAGRICULTURAL JOB GROWTH, 1982/1983-1987 AND 1987-1988 YTD
(annual percentage rate)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

relative to their recent performances.

Still, considerable room remains for improvement, especially in the western portions of the Commonwealth. This conclusion is arrived at by examining the relationship between the jobs gained in the current expansion, which is estimated to have begun around 1982/1983, though the specific date of the "trough" varies from region to region, and the jobs lost in the general economic decline which we estimate to have lasted from 1979-1982/1983. **Nine of the State's 15 metro areas have managed to replace all of the jobs lost in the early 1980s. Of the six that have yet to do so, all are located in western Pennsylvania** (see table).

Although pockets of weakness remain, **the good news of late has more than offset the bad news, a trend reflected in improvements on the employment/unemployment**

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	May	*June*	*June*	*May*	*June*	*June*	*May*	*June*	*June*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,040	5,070	4,946	5,012	5,029	4,905	109.8	110.2	107.4
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,989*	4,009	3,894	3,964	3,980	3,865	123.0	123.5	119.9
Mining	30	30	31	29	29	30	61.2*	60.6	62.9
Contract construction	236	246	230	234	236	220	127.1*	128.4	119.3
Transportation	143*	141	144	140	140	142	87.2*	86.8	88.4
Public Utilities	105	106	105	106	105	105	104.8*	104.5	103.9
Wholesale trade	269	270	265	269	268	263	121.3*	120.9	118.6
Retail trade	874	879	862	874	875	858	121.9*	122.1	119.6
Finance, insurance & real estate	296	299	295	296	296	292	135.9*	136.3	134.4
Service & miscellaneous	1,334*	1,341	1,280	1,326*	1,332	1,271	153.7*	154.5	147.4
Federal government	143*	144	142	143	143	141	111.5	111.5	110.1
State & local government	559*	552	540	549	554	542	94.2*	95.1	93.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,050*	1,059	1,051	1,048*	1,049	1,040	78.1*	78.2	77.5
Durable goods	601*	607	596*	598	600	588	73.8	74.0	72.6
Nondurable goods	449*	452	455	450	449	452	84.6*	84.4	84.8
Ave. wkly. hrs. worked by prod. workers	40.8	41.2	41.2	41.0	41.0	41.0	103.7	103.8	103.7
Total wkly. person-hours worked (mils.)	29.3	29.9	29.3	29.4*	29.5	28.8	76.5	76.7	75.1
Total wkly. payroll (mil. dols.)	299.0*	306.1	291.1	299.3*	301.9	287.0	133.2	134.4	127.8
Average hourly earnings (dollars)	10.20	10.23	9.94	10.21	10.25	9.96	174.5	175.2	170.2
Average weekly earnings (dollars)	416.16	421.48	409.53	417.83	420.22	408.52	180.6	181.7	176.6
Steel production (thous. tons)	1,195*	1,133	1,008	n.a.	n.a.	n.a.	47.3*	50.7	45.1
Industrial electric power sales (mil. kwh)	3,693	3,832	3,700	3,723	3,761	3,626	100.8	101.8	98.2
Mining									
Anthracite coal (thous. net tons)	372	355	359	389	354	369	79.7	72.5	75.6
Bituminous coal (thous. net tons)	6,712	6,452	6,003	6,132	6,420	5,872	86.9	91.0	83.3
Construction contracts awarded (mil. dols.)									
Total	959.9	1155.0	1202.8*	938.8	841.9	899.5*	291.8	261.7	279.6*
Residential building	411.4	385.8	361.2*	314.4	323.8	303.7*	223.4	230.1	215.8*
Nonresidential building	328.9	385.6	504.1*	382.9	285.3	395.5*	353.0	263.0	364.5*
Nonbuilding (utilities and public works)	219.6	383.6	336.9*	241.5	232.8	200.3*	333.2	321.1	276.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,355	5,461	5,365	5,375	5,411	5,314	111.8	112.6	110.6
Unemployed									
No. of persons (thous.)	279	325	355	292	292	324	72.9	72.9	80.7
Rate (percentage of labor force)	5.0	5.6	6.2						
Rate, seasonally adjusted				5.1	5.1	5.7			
Civilian labor force, no. of persons (thous.)	5,635	5,786	5,719	5,667	5,703	5,638	108.8	109.5	108.3
Initial claims for unemployment benefits	69,608	73,976	84,738	83,060	83,192	90,278	58.0	58.1	63.1

Consumer Prices, all items	Urban Indexes (1982-84 = 100) 1988 *May*	1988 *June*	1987 *June*	Percentage Change *Month Ago*	*Year Ago*
U.S. city average	117.5	118.0	113.5	+0.4	+4.0
Philadelphia	120.9	121.9	117.4	+0.8	+3.8
Pittsburgh	n.a.	114.3	111.1	n.a.	+2.9

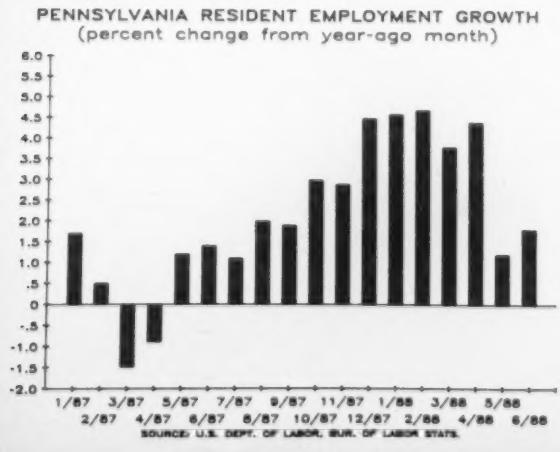
PA metro area nonagricultural job growth in the current business cycle (in thousands)

	1979-1982/1983 (contraction)	1982/1983-present (expansion)
Allentown-Bethlehem	-12.3	22.2
Altoona	- 5.8	4.8
Beaver County	-20.7	-8.7
Erie	-11.6	5.7
Harrisburg-Lebanon-Carlisle	- 2.4	39.4
Johnstown	-15.2	3.1
Lancaster	- 3.2	31.4
Philadelphia	- 6.0	258.6
Pittsburgh	-68.1	11.6
Reading	- 4.0	16.3
Scranton-Wilkes-Barre	-13.1	29.9
Sharon	- 6.2	1.2
State College	3.5	8.3
Williamsport	- 4.1	8.2
York	- 8.0	23.8

Source: PA Dept. of Labor and Industry, Res. and Stats. Div.

front. In fact, the number of residents counted as employed has remained above year-ago readings since May of 1987. As a result, the trend in unemployment has remained downward as recent jobless rates have been at their lowest readings since the mid-1970s.

However, further analysis of recent labor force developments tends to offset some of this optimism. Many point to the fact that, through June, the Pennsylvania unemployment rate remained below the nation's for 25 consecutive months as evidence of the strong performance of the Commonwealth's economy. However, over that period, employment growth has averaged just 1.6 percent on an annual basis in the State compared to 2.3 percent throughout the U.S. Labor force growth, usually a solid indicator of the overall health of an economy, has averaged out at an annual rate of just 0.6 percent in Pennsylvania over the period compared to 1.4 percent nationally. (Other factors, especially as they relate to demographics, must be taken into account before a definitive conclusion may be arrived at. A slow-growing population limits the potential increases in Pennsylvania's labor force and employment.) At the least, **it is apparent that while Pennsylvania may be outperforming the U.S. so far this year on the employment/unemployment front, the majority of the ground lost earlier in the decade remains to be made up.**



The period of slow growth in resident employment which we have previously forecast for the second half of this year appears to have arrived. After growing in excess of a 4 percent annual rate in four of the previous five months, growth in May and June totaled less than 2 percent. The first piece of information on the health of the economy in July also suggests that employment growth remained in the 2 percent range.

Construction activity is showing no signs of the strong growth recorded a year or two ago. To date, **it is estimated that just over $5 billion in construction contracts have been awarded in 1988. This represents a gain of under 3 percent, which, after taking into account cost/price gains, suggests that actual activity, at best, may be holding its own and, at worst, may be off slightly.** For instance, at nearly 29,400, the number of housing units authorized by permit during the first half of the year is up by a negligible 300 from the same period in 1987. Still, construction jobs continue to advance as they have risen 6.5 percent this year. In June, jobs totaled 246,000, up 16,000 from the year-ago level.

— William D. Anderson

Around the State

Northeastern Quarter

Allentown-Bethlehem

While the service-producing and construction industries continued to turn in solid showings during this year's second quarter in the Lehigh Valley, the situation in the factory sector also improved to round out a fairly impressive performance, though the region is far from problem-free. It does appear that the losses realized during the early 1980s have been offset as 22,200 jobs have been added during the current recovery compared to 12,300 lost during the most recent prolonged slump.

The manufacturing job gain totaled a very slight 600 from the first quarter as job levels settled at 76,200. However, the gain did surpass normal seasonal expectations for only the second time in the past 16 quarters. Clearly, this seasonally adjusted gain is quite welcome, but at the same time, it can not yet be classified as the start of a trend. Even if the region is entering a period in which factory jobs will be on the upswing, it is likely that the gains will be minimal. Such a development will not be especially surprising if recent trends in the average factory workweek are a sign of things to come. A high workweek tends to prop up job levels, and the 40-hour reading in the Lehigh Valley is the second highest on record.

The news remains positive in the region's nonmanufacturing establishments as job levels rose to another record in topping the 200,000 mark for the first time. Construction activity appears to be strong as nonresidential contract awards so far in 1988 are double their 1987 first half values to go along with a relatively stable showing on the residential side. Furthermore, building-related jobs are up by 1,600 so far this year on an annual basis.

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	306.1	112	112	110
Unemployed, no. of residents	14.1	67	76	77
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	320.1	109	109	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	277.5	108	107	105
Nonmfg. only, no. of jobs	201.2	135	134	130
Mfg. only, no. of jobs	76.2	72	70	71
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	105	104	103
Industrial electric power sales				
Metropolitan area	***	111	113	107
Allentown	***	97	97	99
Bethlehem	***	120	124	112
Easton	***	116	111	108
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	191.4	+ 8		
Nonresidential contracts only	117.8	+99		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Even this solid showing, however, is overshadowed by the 5,300 jobs added in the region's service-producing establishments through the first six months of 1988. Some, however, are concerned that these new jobs do not represent "adequate" replacements for the manufacturing jobs lost. Their arguments center around wage differentials as average annual wages in service jobs come to slightly above 70 percent of manufacturing wages in Carbon and Northampton Counties and 63 percent in Lehigh County.

The dominant theme running through this and previous analyses of economic conditions in the Allentown-Bethlehem metro region in the *PBS* is that short-term gains are being realized in the economy, but that this improvement must be put in proper perspective. This is apparent in the data on general labor force activity. The economy's strength is evident in declines in the jobless rate which, at a seasonally adjusted 4.2 percent in the second quarter, was at its lowest level since 1974 and was down two-thirds from its reading at the height of the recession. At the same time, employment continues to expand as second quarter readings were at a record after seasonal adjustment. However, the long-run trend in the labor force has been flat which is not reflective of a rapidly expanding economy. Had the labor force grown at a near-normal rate, the improvement in unemployment would have been considerably less pronounced. The situation, however, has improved as recent months have found employment expanding at a pace strong enough to absorb solid increases in the labor force and reduce unemployment.

Scranton-Wilkes-Barre

Second quarter economic results in the five-county Scranton-Wilkes-Barre region are best characterized as "uneventful." Few signs emerged suggesting considerable upward or downward pressure on current trends. While a plateau appears to have been reached, it is a rather lofty one as it appears to be allowing for relatively high levels of employment and

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	328.5	116	117	113
Lackawanna County[2]	100.9	112	113	109
Luzerne County[3]	146.1	110	111	108
Unemployed, no. of residents				
Metropolitan area	20.3	66	72	75
Rate, seasonally adjusted	5.8			
Lackawanna County[2]	5.5	55	65	63
Luzerne County[3]	10.6	72	77	82
Civilian labor force, no. of residents				
Metropolitan area	348.8	111	113	110
Lackawanna County[2]	106.5	107	108	105
Luzerne County[3]	156.7	107	108	105
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	296.1	113	113	110
Nonmfg. only, no. of jobs	224.8	126	125	122
Mfg. only, no. of jobs	71.2	85	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.7	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	112	111	109
Lackawanna County[2]	***	127	123	123
Luzerne County[3]	***	96	98	98
Hazleton	***	100	102	101
Wilkes-Barre	***	85	88	91
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	152.2	+53		
Nonresidential contracts only	75.8	– 19		

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

overall activity. Still, while we conclude that the economy has grown at a fair pace over the course of the recovery, it is not especially difficult to paint a more pessimistic picture.

Although the jobless rate fell a seasonally adjusted 0.5 percentage point from first quarter averages to settle at 5.8 percent, employment actually fell during the quarter after seasonal adjustment, the first such decline since the final months of 1986. The drop was solely the result of a net outflow from the labor force relative to the first three months of the year. These developments do not adequately reflect the amount of improvement which has taken place on the employment front over the past several years. For instance, compared to the first half of 1987, employment has expanded by 10,700 residents so far this year which has helped lower the number of residents officially counted as jobless by 2,800 and absorb an increase in the labor force amounting to 7,800.

In the last "Around the State" report, it was pointed out that resident employment growth over the recovery period varied widely from county to county within the region. The same kind of differentials are evident in examining manufacturing job trends. In Columbia, Monroe, and Wyoming Counties, 1,300 factory jobs were generated between 1982/1983 and 1987. Lackawana and Luzerne Counties lost 4,900 jobs between them over the same period. These data indicate that while the manufacturing sector is not a ready source for new jobs, some industries are at least holding their own. It is extremely important that the Commonwealth's industrial communities maintain their fair share of factory activity. Second quarter brought with it further evidence that the bulk of

all manufacturing job losses have already occurred in the region. While job losses continue to bring about record lows practically each quarter, they are lessening. While 2,500 jobs were lost in the first half of 1985, only 600 positions were eliminated between the first halves of 1987 and 1988. Strength in electricity sales to industry and a relatively high factory workweek provides further evidence that the worst is over for northeast Pennsylvania's manufacturers.

The region's nonmanufacturers continue to add jobs at a respectable pace as new records continue to be set on a monthly basis in stark contrast to the situation on the manufacturing side. In fact, job growth in these industries has outpaced the gains recorded statewide over both the short-run and the entire recovery period stretching back to the early 1980s. Developments in construction contract awards during the first six months of this year suggest that activity is holding its own as a 53 percent surge in residential contract values offset a 19 percent decline for nonresidential projects.

Taken as a whole, second quarter data suggest that the region, like the Commonwealth as a whole, has taken considerable strides in rebounding from the turbulent early years of the decade. Still, it is probably too optimistic to suggest that the region has been experiencing a boom. Instead, it appears that the region is moving ahead at a fairly healthy pace; a pace that should continue should trends remain favorable nationally but will probably not be improved upon.

Williamsport

After stringing together a series of impressive performances, the Lycoming County economy appeared to take a breather during the April-June period of this year. Still, second quarter's slight retreat did little to offset the gains which have accumulated over the past few years. For instance, while over 4,000 jobs were lost during the course of the back-to-back recessions of the early 1980s, more than 8,000 have been added since the onset of the subsequent recovery. Furthermore, much of second quarter's shortfalls occurred after adjustment for seasonal variation; while actual gains in, say, employment and other job measures were recorded, they simply failed to live up to normal seasonal expectations. Construction activity, however, did not take part in what is hopefully a brief respite as activity appears to have soared according to construction contract awards. Most noticeable is the $16.6 million in nonresidential contract values rung up so far this year, more than four times the value of awards from the first six months of 1987.

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	57.4	123	124	115
Unemployed, no. of residents	2.9	61	74	64
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	60.4	117	119	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.0	115	114	108
Nonmfg. only, no. of jobs	36.3	128	126	120
Mfg. only, no. of jobs	16.7	94	96	90
Hrs. worked by production workers in mfg., ave. weekly	41.5	106	106	107
Industrial electric power sales	***	92	113	85
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	10.8	+ 21		
Nonresidential contracts only	16.6	+337		

[1]Lycoming County

Elsewhere, manufacturing jobs, after adjusting for seasonality, fell slightly for the first time since the final quarter of 1986. Specifically, while factory jobs tend to expand by about 500 during the three-month period, a gain of 100 actually occurred, resulting in the seasonal shortfall. Still, job levels currently stand at their highest second quarter levels since the late 1970s which is quite an accomplishment in light of the record low job numbers being turned in throughout much of the rest of the Commonwealth. Nonmanufacturing jobs rose at what is best described as an "average" pace in the second quarter. Over the past year, job growth has averaged 1.7 percent per quarter in the region's nonmanufacturing establishments which is exactly the rate of growth for the April-June period. The combination of trends in the factory and nonmanufacturing sectors did allow for some gains in overall nonfarm jobs, but they did not live up to recent experiences. After adjusting for seasonality, nonagricultural jobs grew at a pace in the second quarter equal to only about one-half its average for the past year.

The seasonally adjusted 1 percentage point drop in the jobless rate in the second quarter from the previous three months illustrates why caution is required in interpreting these statistics. In light of the previously mentioned decline in seasonally adjusted employment, second quarter's drop was not necessarily the result of positive developments. Still, long-run trends remain encouraging on the employment/unemployment front. Employment of the county's residents is up by about one-fourth over the course of this recovery. This compares rather favorably with the 15 percent advance Statewide.

Southwestern Quarter

Altoona

Except for some positive news on the construction front, where the value of contract awards for both residential and nonresidential construction projects were up around 80 percent in this year's first half compared to the same period in 1987, overall economic activity may have eased slightly in Blair County during this year's April-June period.

After adjusting for seasonality, the region's unemployment rate rose 0.1 percentage point for the quarter to 7 percent as the gain in employment was less than expected based on historical trends. Second quarter's relatively sluggish showing in terms of employment growth, however, did little to suppress the upward trend in employment which has been evident since the onset of the recovery in the early 1980s. However, the unemployment rate does appear to be stuck in the 7 percent range where it has remained for the past seven quarters. Both national and State measures of joblessness have continued to decline over that period.

Likewise, signals coming from the metro area's nonagricultural establishments suggest that the economy retreated into a holding pattern after recording some respectable gains

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	55.3	106	108	104
Unemployed, no. of residents	4.1	105	106	103
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	59.5	106	108	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.1	102	102	99
Nonmfg. only, no. of jobs	40.7	107	107	104
Mfg. only, no. of jobs	11.3	86	88	86
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	106	107	104
Industrial electric power sales	***	78	77	77
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	9.3	+82		
Nonresidential contracts only	30.3	+80		

[1]Blair County.

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	87.1	91	91	88
Unemployed, no. of residents	6.7	62	69	69
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	93.9	88	89	86
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	79.9	90	90	88
Nonmfg. only, no. of jobs	66.5	99	99	97
Mfg. only, no. of jobs	13.4	63	63	60
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	102	103	100
Industrial electric power sales	***	191	176	160
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	26.8	+28		
Nonresidential contracts only	18.1	+43		

[1]Cambria and Somerset Counties

in previous months. The increase in total nonfarm jobs was less than is normally the case in the late spring/early summer months as sub-par performances were turned in on both the manufacturing and nonmanufacturing sides. Still, it is much too early to suggest that the region is in for a period of relatively sluggish reports. The situation on the nonagricultural jobs front was off only slightly from what we would normally expect and the outlook continues to suggest further gains in nonmanufacturing employment alongside a factory sector holding job levels fairly steady. Still, the situation on the manufacturing side leaves considerable room for improvement as job levels have increased only slightly since recessionary lows were recorded in 1983 and electricity sales to industry remain at or near their lowest levels in several years. On the plus side, the average factory workweek is hovering near record high readings. Mostly as a result of the long-run weakness in factory job levels, the region has yet to regain all of the jobs lost in the early 1980s. Specifically, about 6,000 jobs were lost over the 1979-1982/1983 period in all nonfarm establishments compared to a gain of 5,000 since then.

Johnstown

Looked at negatively, second quarter economic growth in Cambria and Somerset Counties does not appear to have matched previous gains. On the positive side, little, if any, ground was lost and future trends should find the region in a moderate growth scenario. Such an outlook, however, still leaves room for improvement, especially relative to the metro regions in the eastern portion of the Commonwealth.

Job gains in the region's nonfarm establishments were nearly identical to what is normally expected for the second quarter. On the manufacturing side, job levels continue to drift up ever so slightly from their all-time lows recorded earlier in the decade and, at 13,400, are at their highest second quarter readings since 1982. This "slight upward drifting" is probably the best that can be hoped for well into the foreseeable future but still represents a big improvement over earlier trends. Also, despite a minimal decline in the average factory workweek, it fell 0.6 hour to 39.7 hours, seasonally adjusted, this measure of manufacturing's health remains only slightly below pre-recession highs. Additionally, electricity sales to industry continue to surge. Unlike the situation in the State as a whole where nonmanufacturing job levels have been at a record high level for several years run-

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	894.0	103	104	101
Beaver County	56.9	67	67	66
Unemployed, no. of residents				
Pittsburgh[1]	54.3	85	94	97
Beaver County	5.6	87	92	90
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.8			
Beaver County	9.1			
Civilian labor force, no. of residents				
Pittsburgh[1]	948.3	102	103	101
Beaver County	62.5	68	69	68
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	870.0	99	100	98
Beaver County	51.8	67	67	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	744.8	114	114	112
Beaver County	42.2	110	109	107
Mfg. only, no. of jobs				
Pittsburgh[1]	125.0	56	57	56
Beaver County	9.6	25	26	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.9	n.a.	n.a.	n.a.
Beaver County	42.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	60	60	57
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	247.2	+ 28		
Beaver County	9.7	+ 31		
Nonresidential contracts only				
Pittsburgh[1]	299.1	+ 9		
Beaver County	11.0	+175		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

ning, job readings in these establishments in the metro area, at 66,500, remain below record highs, but the gap is narrowing. As a result of the well-publicized gains in these industries which have been realized over the course of the recovery, job levels have grown from within approximately 8,000 jobs of the 1979 high to within 4,000.

A major issue concerning the trade-off between the factory jobs lost and the (mostly) service jobs gained continues to revolve around differences in wages. Indeed, while such concerns may be somewhat exaggerated, some evidence does suggest that they may be warranted. For instance, 1987 data show that the average annual wage in service industries amounts to about four-fifths of similar readings for the factory sector in Cambria and Somerset Counties. While it is probably safe to say that the "average" job gained pays less than the "average" job lost, it is also apparent that not all new jobs offer only rock-bottom wages.

Trends on the employment/unemployment front appear to be reflecting overall trends in the economy: despite taking a breather in the second quarter, considerable improvement has been recorded in recent years but room remains for further gains. Although employment remains on an upward path, and growth may have picked up slightly so far this year, gains in the region continue to fall short of those registered Statewide. Furthermore, while it is often pointed out that jobless rates are at their lowest levels since the mid-1970s, current employment is off by several thousand from readings in the earlier period.

Pittsburgh-Beaver Valley

Second quarter trends in the five counties making up the Pittsburgh-Beaver Valley region appeared to mirror overall economic conditions throughout the State as there were few dramatic developments but long-run trends continue to point upward. However, it must be realized that problems remain. For instance, a strong case claiming that the region continues to lag overall State and national growth may easily be made. Furthermore, it is debatable as to whether or not the region has even fully recovered since the end of the national recession in the early 1980s. Beaver County is the only metro area in the Commonwealth to have realized a net loss in nonfarm jobs since the expansion began around 1982/1983. In the four-county Pittsburgh area, nearly 12,000 new jobs have been added to payrolls over the period. However, this still falls well short of the 68,000 lost during the previous slump.

Perhaps the most encouraging news comes on the construction front where solid increases in the value of contracts awarded for both residential and nonresidential projects have been turned in throughout the region. Consistent increases in construction jobs also provide evidence that activity, though certainly not booming, continues on at a fair pace.

Elsewhere in the nonmanufacturing sector, the service-producing industries continue to fuel an overall solid performance in the region's nonfactory establishments. The 744,800 nonmanufacturing jobs maintained in the Pittsburgh area represent a record high and a gain of 11,300 from year-ago readings. Similarly, the 42,200 positions on payroll in Beaver County establishments represent a new record. Still, while these industries have been generating nearly all new jobs, gains have simply not lived up to those turned in at the State and national levels.

As has been mentioned in earlier reviews of regional economic conditions, the worst appears to be over for manufacturing in terms of job losses. Both the Pittsburgh and Beaver County metropolitan areas currently find the manufacturing employment picture fairly stable. Relatively high average factory workweeks should help prop up job levels in the near future. Although electricity sales to industry, a good proxy for production activity, have rebounded slightly over the past year, they are still quite low in historical terms. Several years of difficulty, which have left job numbers at or near record lows, still hang over the regions' heads. Indeed, the shrinking manufacturing base and the associated loss of income and jobs is certainly a major cause of the relatively slow growth in nonmanufacturing and service jobs in the region. There is clearly a strong relationship between the health of the goods- and service-producing sectors.

As with most economic indicators pertaining to southwest Pennsylvania, it is a relatively easy task to find good news and bad news in both short- and long-term employment/unemployment trends. Employment gains in the four-county Pittsburgh region have helped lower the jobless rate nearly two-thirds since the onset of the recovery to a seasonally adjusted 5.8 percent in the April-June period, its lowest reading over the period in which comparable data have been tabulated stretching back to 1975. However, a declining labor force has also helped lower joblessness. A similar drop in Beaver County's jobless rate has occurred at the same time that employment has actually been on a downward trend. In this case, the declining labor force is the sole reason for the "improvement" on the jobless front. While such trends in the labor force do, at least at first glance, reduce the unemployment problem, the long-run danger is that they will result in labor shortages down the road, limiting the potential for future economic growth.

There are some easily identifiable differences in recent job and employment trends across the five counties making up the region. Beaver County has clearly suffered the most in recent years as nonfarm jobs were off by nearly one-fifth over the 1982/1983-1987 period. However, each of the four counties in the Pittsburgh metro region have added workers over that period, though, again, at varying rates: Fayette (a 6.3 percent advance), Washington (3.3 percent), Westmoreland (2.9 percent), and Allegheny (2.1 percent). Similar ordinal rankings are achieved when resident employment gains are categorized.

State College

Although it does appear that there may have been some slowing in growth in the Centre County economy during this year's second quarter, such a respite did little to offset the gains racked up earlier and still leaves the region sitting on solid ground. There is little to suggest that the future will bring about any appreciable reduction in activity, so it does appear likely that the region will remain one of the strongest, in economic terms, throughout the entire Commonwealth.

It is best not to overreact to the slight deterioration in the employment and labor force statistices which occurred over the April-June period. Although both measures of the economy's health rose from first quarter readings, the increases were less than expected based on historical trends. Still, both

were at all-time highs for the second quarter. So far this year, employment is up about 2,600 over-year ago readings, a gain which has been strong enough to absorb a similar inflow into the labor force. The end result has been an unemployment rate that has averaged 5.4 percent so far this year, down from 5.6 percent during the first half of 1987.

Both the manufacturing and nonmanufacturing sectors continue to add jobs in the region, although recent gains have been concentrated in the service-producing establishments. On a year-to-date basis, total nonfarm jobs have grown by 2,100 positions through the first six months of 1988 relative to a year ago. Approximately four-fifths of these jobs have been generated by the County's nonmanufacturers. Second quarter's 46,900 nonmanufacturing jobs represent a record high after adjusting for seasonality while the 7,700 factory-related positions translate into the highest reading in three years. The strength of the economy is apparent in examining job trends over the course of the current business cycle. The region was the only metro area in Pennsylvania to actually add jobs over the 1979-1982/1983 period, a time of general economic contraction. Economic growth over the subsequent recovery has generated 8,300 additional jobs.

Northwestern Quarter

Erie

While the Erie County economy has rebounded considerably from the troublesome early 1980s, second quarter gains were minimal, at best. Still, overall trends are expected to remain fairly positive, though it is likely that the region will continue to turn in an "average" performance, especially relative to the results expected from the metropolitan areas in the eastern portions of Pennsylvania. Although there is no denying that the region has turned in a fair showing over the past several years, several stubborn problems still remain.

Nonagricultural job totals did increase by 1,700 from first quarter readings to 112,100, the highest second quarter total since 1981. However, the increase typically comes in at slightly above 2,000. Manufacturing job levels have hovered in the 34,000 range for nearly two years and are likely stay very near current readings. While this represents a good deal of improvement over the the nearly continuous losses turned in earlier in the decade, it still leaves job totals only slightly above all-time lows. Long-run trends are much more encouraging in the nonmanufacturing sector. The 77,500 positions in these establishments represent the highest second quarter reading on record. Most, if not all, new jobs generated in the foreseeable future will come from these industries. Much of the growth in construction activity is behind the region but activity should remain very near current levels. Construction job totals are up by a negligible amount on an annual basis so far this year while the region is one of only a few to have turned in a decline in total construction contract awards.

One reason why our optimism with respect to the region's recent gains is somewhat qualified is that it is debatable as to whether or not the region has fully recovered from the back-to-back recessions of the early 1980s. While approximately 6,000 jobs have been generated since the onset of the current recovery in Erie County, close to 12,000 were lost during the recessions.

While the situation is slightly better with respect to resident employment which currently is only slightiy below all-time highs after a less than normal gain of only 1,000 in the second quarter, the region's problems *vis-a-vis* the State as a whole are apparent as employment growth has tended to lag Statewide averages. Because of this and a relatively flat trend in the labor force over the past several years, a cautious view of the decline in joblessness in the region is required. While employment gains have helped drive down the unemployment rate to a seasonally adjusted 5.9 percent in the second quarter, about one-third of its recession peak, the fact that the net inflow into the labor force has been minimal has also eased the way for the drop in the unemployment rate, a trend which should not be interpreted too positively.

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '88	*2 Q '88*	*1 Q '88*	*2 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	57.7	138	139	133
Unemployed, no. of residents	3.1	116	116	120
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	60.8	137	138	132
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	54.7	135	134	130
Nonmfg. only, no. of jobs	46.9	137	137	132
Mfg. only, no. of jobs	7.7	120	119	115
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	124	125	117
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	34.8	+ 5		
Nonresidential contracts only	39.0	+106		

[1]Centre County

Sharon

While several Pennsylvania metro regions appeared to take a breather during this year's second quarter, the Sharon area continued a recent trend of slow, but steady, progress. Two items are especially noteworthy. Construction activity continues to move foward with the residential sector leading the way as contract values for these projects were more than double their 1987 readings during the first half of this year. Secondly, manufacturing job totals have risen at a brisk pace since the beginning of 1987. All told, 1,100 factory jobs have been added since the second quarter of last year.

Manufacturing's strength, along with even larger gains in the nonmanufacturing sector have pushed total nonfarm jobs up by 2,400 so far this year to 42,100. After adjusting second quarter's 32,400 nonmanufacturing jobs for seasonal ups and downs, the number of positions maintained in these establishments over the April-June period represent the third consecutive quarter in which a record has been set. But while much of the short-term news remains encouraging, the region is far from problem-free. Essentially, it appears that Mercer County is struggling to regain all of the ground lost earlier in the decade while a good deal of the rest of Pennsylvania has continued moving ahead. For instance, although total